

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0574

"Obligation on Transco to offer terms for enhanced gas quality services at exit"
Version 1.0

Date: 07/08/2002

Proposed Implementation Date: 01/10/2002

Urgency: Non-Urgent

Justification

The range of characteristics permitted for conveyance of gas in a gas network form part of the Gas Safety (Management) Regulations. These regulations determine the range of quality of gas that can be entered into a network and determine the permissible range of specifications of gas delivered to any network exit point. Under current network code rules, network users cannot specify the quality of gas that they want to receive and can only be certain that its characteristics will fall within the range of allowed specifications.

Recent events in relation to the interconnector between the UK and Belgian have highlighted the significant economic costs and distortions to trade that can occur as a result of failure to provide gas of the required quality to users at particular exit points. The gas quality requirements for gas delivered onto the Fluxys system at Zeebrugge currently exceed the specifications for gas delivered from the NTS. Transco currently only has a reasonable endeavours obligation to provide gas of the required specification at the Bacton interconnector exit point. This modification would allow interconnector users (and users at other exit points) to specify the quality of gas to be delivered by Transco and the choice, based on Transco's terms, of whether to pay for enhanced gas quality services.

Ofgem has highlighted, in its proposals for Transco's System Operator incentives, its desire to see stronger commercial incentives on Transco to offer enhanced gas quality services to users. Transco has argued that demand for gas quality services at exit may be limited. Transco said that the benefits of being required to respond to such infrequent requests should be balanced against the likely complexity and cost of delivering the services. In its final proposals, Ofgem said that it expects Transco to offer such services and intends to develop appropriate commercial incentives to encourage them to respond to their customer's demands. This modification will help to establish the level of demand for these services and ensure that users are able to request such services ahead of the development of any commercial incentives.

Nature of Proposal

Transco should be obliged to offer terms to users at exit who request enhanced gas quality services at any NTS or LDZ exit point. Enhanced gas quality services would, for example, allow users to specify the pressure and composition of gas to be delivered.

A user would be entitled to request that Transco offers terms to provide enhanced gas quality services at an exit point. Transco would be obliged to offer terms within a defined time period after the request. In pricing the service, Transco would need to ensure compliance with relevant licence obligations. A user could then choose to agree to the offered terms or decline them and continue to receive gas under standard network code terms.

Purpose of Proposal

This modification would better facilitate the economic and efficient operation of the pipeline system and would promote competition between shippers and suppliers. By giving customers greater choice and flexibility over the quality of delivered gas it would ensure the efficient operation and utilisation of the pipeline system. By reducing the risk that gas quality issues lead to further interruptions of the interconnector, it will promote competition between shippers and suppliers.

Consequence of not making this change

All customers will be denied choice and flexibility over the specification of gas delivered to them by Transco. In relation to the interconnector, this could lead to further interruptions of flows. This could prevent economic and efficient trade between the UK and the continental European gas market. This could distort competition and trade and could damage UK customers' interests if, as a result, the interconnector was unavailable to import gas during times of high demand (and prices) in the UK.

Failure to implement this modification could also frustrate the European Commission's aim of creating a European gas market.

Area of Network Code Concerned

Section J

Proposer's Representative

Stephen Charles Smith

Proposer

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Signature

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